



## MEMORANDUM

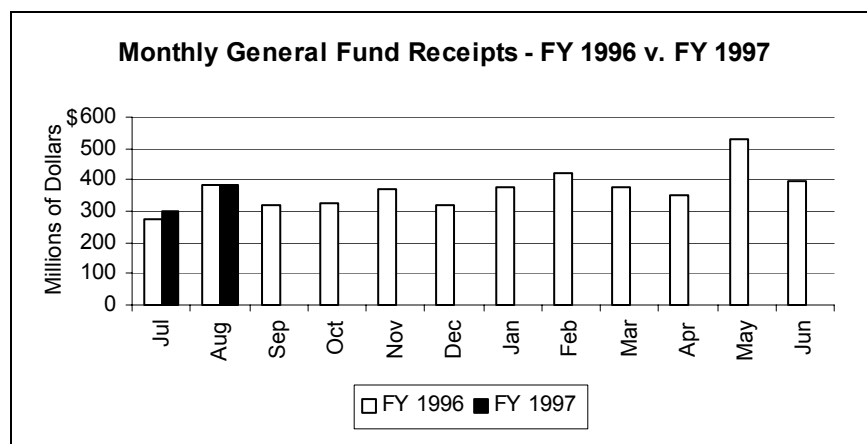
TO: Members of the Iowa Senate and  
Members of the Iowa House of Representatives

FROM: Dennis C. Prouty

DATE: August 1, 1996

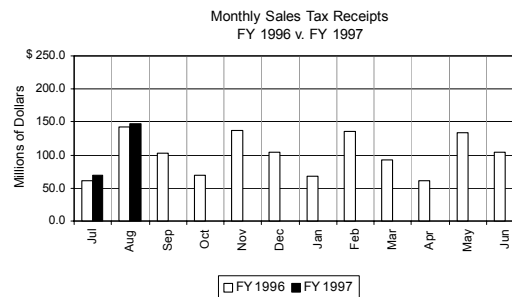
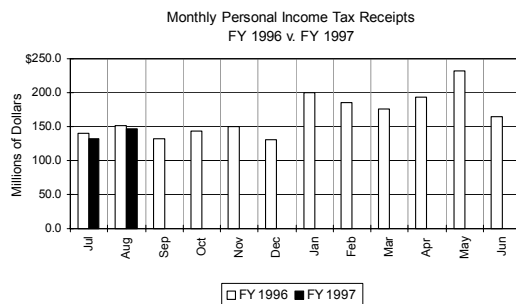
### General Fund Receipts Through July 31, 1996

The attached spreadsheet represents total FY 1997 General Fund receipts, with comparable figures for FY 1996. These can also be compared to the latest FY 1997 estimate (\$4.541 billion) set by the Revenue Estimating Conference (REC) on April 5, 1996. The REC will revisit the FY 1997 estimate at the next meeting, taking into account legislative changes signed into law since the April meeting.



Total year-to-date General Fund receipts for the first month of FY 1997 increased 9.3% compared to FY 1996. Tax receipts showed an increase of 8.4%. Personal income tax receipts decreased 5.4%. Sales tax receipts were 11.1% higher than the previous fiscal year. Use tax increased 13.0% compared to FY 1996, and corporate income tax receipts showed a 94.2% increase. It should be noted that July 1996 had two more processing days than July 1995. One of these days will be given up in August.

Gross personal income tax receipts for July were \$7.5 million less than July 1995. Three major factors help to explain the reduction. First, changes in the withholding tables did not affect individual income tax revenues until August 1995. Secondly, July typically accounts for only 3.0% of total personal income tax receipts for the year. Additionally, income tax receipts in July 1995 were unusually strong. Income tax receipts in July 1996 were still 10.0% higher than July 1994. The April REC increased the FY 1997 estimate for individual income tax \$53.4 million to \$2.059 billion, an increase of 2.9% compared to actual FY 1996.



On the heels of substantial growth for the final quarter of FY 1996, sales tax receipts in July were 11.1% higher than July 1995. The two extra processing days played a major role in the strength of both sales and use tax receipts for the month. The current REC estimate is for 3.1% growth in sales tax receipts compared to FY 1996 actual receipts.

Corporate income tax receipts in July were \$13.1 million (94.2%) higher than July 1995, but at least \$8.0 million of this amount was due to a timing factor associated with the day of the week on which the fiscal year began. This factor alone accounts for more than 60.0% of the monthly growth. The REC decreased the FY 1997 estimate for corporate income tax receipts by \$5.0 million in April. The current estimate represents a decrease of 1.6% compared to actual FY 1996 corporate income tax receipts.

Franchise tax receipts in July totaled \$4.2 million, an increase of \$1.8 million (75.0%) compared to actual FY 1996 receipts. Timing factors explained previously help to explain most of this growth. The REC revised the FY 1997 franchise tax estimate downward by \$2.0 million in April, indicating that legislation passed during the 1995 Legislative Session was not entirely successful in recovering lost revenues. However, receipts during the final quarter of FY 1996 indicate that tax avoidance measures recently utilized by banks may be on the downswing. Franchise tax receipts in the last quarter of FY 1996 were 12.0% higher than the last quarter of FY 1995.

Racing and gaming receipts finished the year strongly, surging 156.3% in the last month. Final receipts from tracks, slots, and riverboats totaled \$104.0 million, which is \$75.5 million (265.0%) more than FY 1995. House File 2421 (Transportation and Capitals Appropriations Act), which passed during the 1996 Legislative Session, provides that racing and gaming revenues exceeding \$60.0 million are to be deposited into the Rebuild Iowa Infrastructure Fund. Thus, the Infrastructure Fund will receive approximately \$44.0 million from FY 1996 gambling receipts. The Infrastructure Fund will also receive all gambling revenues exceeding \$60.0 million in FY 1997, which indicates that the current FY 1997 General Fund estimate of \$106.3 million is \$46.3 million too high.

## Receipts Compared to REC Estimate

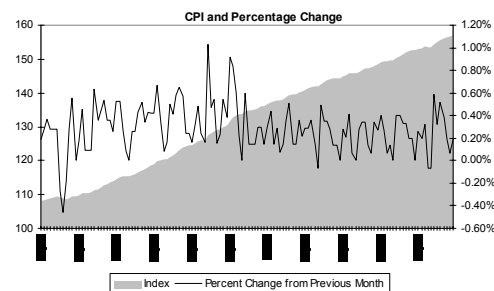
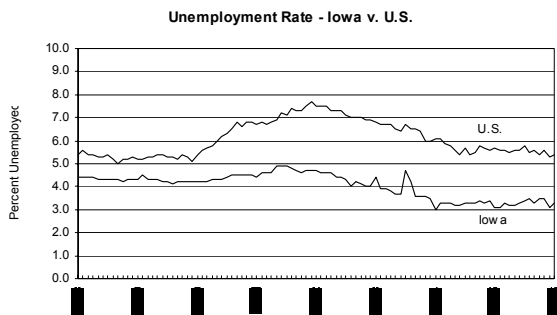
The April REC FY 1997 estimate of \$4.541 billion represents an increase of 2.0% compared to actual FY 1996 General Fund receipts. The percentage growth estimate had been 3.2% compared to the last FY 1996 estimate. The following chart shows the change in the percentage estimates, since actual FY 1996 receipts are now known.

	Original Growth Estimate (Compared to FY96 Est.)	Current Growth Estimate (Compared to FY96 Actual)
Individual Income Tax	3.8%	2.9%
Sales Tax	4.2%	3.1%
Use Tax	5.4%	3.9%
Corporate Income Tax	-1.8%	-1.6%
Total General Fund	3.2%	2.0%

## Status of the Economy

The seasonally adjusted percent unemployed for the State fell four tenths of a point to 3.1% due to a reduction in the number of persons in the labor force. Total Iowa employment dropped slightly to 1,556,200. The unemployment rate a year ago was 3.5%. The U.S. unemployment rate decreased 0.3 percentage points to 5.3% in June. The U.S. rate in June 1995 was 5.6%.

Consumer prices in June rose less than 0.1%. The Consumer Price Index (CPI) through June 1996 was 156.7 (1983=100), which is 2.8% higher than one year ago. The following series illustrate U.S. and Iowa unemployment comparisons and the CPI through June 1996.



## Receipts Information Available On-Line

Information related to State General Fund receipts continues to be made available electronically through the Fiscal Bureau's Electronic Publishing of Information System (EPI). Data is presented graphically and numerically in quarterly, monthly, and daily formats. If you have questions regarding this service, you may contact Glen Dickinson (1-4616) or Jon Muller (1-4611).

GENERAL FUND RECEIPTS - FY 1997 vs. FY 1996					ESTIMATED GENERAL FUND RECEIPTS in millions of dollars		
July 1, 1996, through July 30, 1996, in millions of dollars					FY 96 Actual Compared to FY 97 REC Estimate		
	FY 1996	FY 1997	Year to Date		Actual FY 1996	Estimate FY 1997	% CHANGE
			% CHANGE	July % CHANGE			
Personal Income Tax	\$ 139.7	\$ 132.2	-5.4%	-5.4%	\$ 2,000.9	\$ 2,059.0	2.9%
Sales Tax	62.1	69.0	11.1%	11.1%	1,213.0	1,250.0	3.1%
Use Tax	16.9	19.1	13.0%	13.0%	207.8	216.0	3.9%
Corporate Income Tax	13.9	27.0	94.2%	94.2%	277.6	273.1	-1.6%
Inheritance Tax	7.4	10.7	44.6%	44.6%	95.9	92.9	-3.1%
Insurance Premium Tax	-0.1	0.0	-100.0%	-100.0%	104.3	102.1	-2.1%
Cigarette Tax	8.1	9.7	19.8%	19.8%	94.1	97.0	3.1%
Tobacco Tax	0.5	0.5	0.0%	0.0%	5.3	5.3	0.0%
Beer Tax	1.3	1.1	-15.4%	-15.4%	12.6	12.5	-0.8%
Franchise Tax	2.4	4.2	75.0%	75.0%	26.5	27.0	1.9%
Miscellaneous Tax	0.5	0.5	0.0%	0.0%	0.9	0.9	0.0%
Total Special Taxes	\$ 252.7	\$ 274.0	8.4%	8.4%	\$ 4,038.9	\$ 4,135.8	2.4%
Institutional Payments	7.1	7.2	1.4%	1.4%	105.0	103.6	-1.3%
Liquor Transfers:							
Profits	0.0	1.5	n/m	n/m	29.0	27.0	-6.9%
7% Gross Revenue	0.8	0.8	0.0%	0.0%	9.0	9.0	0.0%
Interest	0.0	0.3	n/m	n/m	13.5	13.0	-3.7%
Fees	5.4	5.3	-1.9%	-1.9%	61.7	61.5	-0.3%
Judicial Revenue	4.6	4.6	0.0%	0.0%	40.0	40.1	0.2%
Miscellaneous Receipts	2.1	2.5	19.0%	19.0%	49.5	44.8	-9.5%
Racing and Gaming Receipts	4.3	6.6	53.5%	53.5%	104.0	106.3	2.2%
TOTAL RECEIPTS	\$ 277.0	\$ 302.8	9.3%	9.3%	\$ 4,450.6	\$ 4,541.1	2.0%